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MEMORANDUM  
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Arizona Corporation Commission

DOCKETED

FROM: Steven M. Olea  
Director  
Utilities Division

AZ CORP COMMISSION  
DOCKET CONTROL

FEB 18 2011

DATE: February 18, 2011

DOCKETED BY

RE: ARIZONA WATER COMPANY - REQUEST FOR EXTENSION OF COMPLIANCE DEADLINES (DOCKET NO. W-01445A-05-0389)

In Decision No. 68442, dated February 2, 2006, the Arizona Corporation Commission ("Commission") approved the application of Arizona Water Company ("Arizona Water" or "Company") for an extension of its Certificate of Convenience and Necessity ("CC&N"). Specifically, Decision No. 68442 ordered the following:

- a) "that the Company file, within 365 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item, a copy of the respective developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources for the areas described in Exhibit A."
- b) "that the Company file, within 365 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item, copies of any executed main extension agreements."
- c) "that the Company file, within 365 days of the effective date of this Decision, with the Commission's Docket Control, as a compliance item, copies of the respective Certificates of Approval to Construct issued by the Arizona Department of Environmental quality for the construction of mains in the three extension areas."

For the items above, Decision No. 68442 obligated the Company to provide a separate filing for each of the three individual parcels (Parcel One – Skousen Farms; Parcel Two – Lorenson Land and Cattle; and Parcel Three – Vail and Kleck). The Company originally had 365 days, until February 2, 2007, to provide these filings to the Commission.

On December 27, 2006, the Company filed for 365 days of additional time, until February 2, 2008, to provide the filings for the Certificate of Assured Water Supply ("CAWS"), the Main Extension Agreement ("MXA"), and the Approval to Construct ("ATC"). On February 1, 2007, via Procedural Order, the Commission granted the Company request and extended the CAWS, MXA and ATC due dates until February 2, 2008.

On December 13, 2007, the Company filed a second request for an extension of time, seeking an additional 365 days or until February 2, 2009 for provision of the Parcel Three CAWS,

MXA and ATC filings only. The Company stated that it had complied with each of the CAWS, MXA and ATC requirements for Parcel One and Parcel Two in filings dated December 27, 2006 and December 13, 2007. On January 24, 2008, via Procedural Order, the Commission granted the Company's second request for extension of time and extended the Parcel Three CAWS, MXA and ATC due dates until February 2, 2009.

On December 17, 2008, the Company filed a third request for an extension of time, seeking an additional two years or until February 2, 2011 to provide the filings for the CAWS, the MXA, and the ATC on Parcel Three. On March 17, 2009, the Commission issued Decision No. 70844 which granted the third Company request and extended the Parcel Three CAWS, MXA and ATC due dates until February 2, 2011.

On November 17, 2010, the Company filed the current request for an extension of time, seeking an additional two years or until February 2, 2013 for provision of the CAWS, MXA and ATC filings for Parcel Three. The Arizona Water application stated that the Company had "substantially complied" with the decision by meeting the requirements of Parcel One and Two in previous filings dated December 27, 2006 and December 13, 2007. Staff confirmed that the Company had complied with the filings for Parcel One and Parcel Two and that the current request should relate only to Parcel 3 requirements. The application also explains the need for the extension of time by discussing the "severe economic recession" that has had a "particularly adverse effect on Arizona real estate". The Company further stated that its provision of the physical availability demonstration ("PAD") from the Arizona Department of Water Resources ("ADWR"), which they define as a precursor to the CAWS, demonstrates that they are moving toward total compliance.

On February 14, 2011, Staff contacted Mr. Bob Geake, Vice President and General Counsel for Arizona Water, to discuss extension of time filing. Mr. Geake stated that the development of the remaining parcel has not proceeded due to the economy and the current housing market. He further stated that the Company has no control over the future date in which development will again proceed. Finally, Mr. Geake reiterated that the Company had provided an updated request for service from Vail & Kleck, the developer of Parcel Three, wherein the developer states that it "still needs and desires" to receive water service from Arizona Water Company.

Given the Company's partial compliance in meeting the Parcel One and Parcel Two requirements and the continuing uncertainty in the real estate markets, Staff will not object to the Company's current request for extension of time on Parcel Three.

Staff therefore recommends that the current February 2, 2011 due date on the CAWS, MXA and the ATC extended until February 2, 2013. Staff further recommends that no further extensions be granted in this matter.

SMO:BKB:lhbm

Originator: Brian K. Bozzo

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DOCKET NO.

ARIZONA WATER COMPANY  
W-01445A-05-0389

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